



• Well, we didn't lose volatility as we closed out the first few trading days in October, but we did manage to kick the negative bias for both stocks and bonds thanks to the Friday jobs report. The 248,000 net new payrolls for September bested the consensus of 215k, pushing the unemployment rate down to 5.9% with the help of the declining participation rate (62.7%) and August revisions (+38k). Hourly earnings were flat MoM, and the work week ticked up 0.1 hr. The United States seems poised to grow tepidly in the second half, but many nations around us appear destined for recession, namely Japan and much of the EU, and the currencies of both against the greenback are a precursor and a driver of this likelihood for these exporting nations. Adding to the problems in Europe are the coming rejection of France's budget for 2015, which shows a deficit of 4.3% vs. their 3% pledged level, and a steeper decline in German industrial production for August. The United States remains the dog, however, so the spot trading of 'tail' markets is focused on our positive jobs outlook and the generally dovish perception of the Federal Reserve's policy direction for 2015. US futures are positive, with the Dow moving triple digits in 7 of the last 10 trading sessions.

• With a light calendar and a holiday-shortened week with Columbus Day next Monday, look for geopolitical factors and international news to drive the trading in the next five days. Interest rates seem range-bound for the moment, and if anything, a flattening of the belly of the curve and a steepening beyond 7 years would be the normalizing shifts to watch for in the next 90 days. The FOMC minutes will be released on Wednesday and a number of Fed intelligentsia will take to the podium this week, including Vice Chair Fischer hosting ECB President Draghi for a panel, but it will be generally quiet. Import and export prices are both expected to decline MoM thanks to oil and agricultural price declines.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-month LIBOR	0.15%	0.15%	0.16%	0.17%
3-month LIBOR	0.23%	0.23%	0.23%	0.24%
6-month LIBOR	0.32%	0.33%	0.33%	0.37%
12-month LIBOR	0.57%	0.58%	0.57%	0.62%
Fed Funds Target	0.25%	0.25%	0.25%	0.25%
Prime Rate	3.25%	3.25%	3.25%	3.25%
SIFMA Muni Swap Index	Call	0.04%	0.04%	0.06%

Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR Swap	Call	0.79%	0.71%	0.44%
3-yr LIBOR Swap	Call	1.26%	1.14%	0.73%
5-yr LIBOR Swap	Call	1.90%	1.74%	1.48%
7-yr LIBOR Swap	Call	2.26%	2.10%	2.10%
10-yr LIBOR Swap	Call	2.58%	2.44%	2.69%

All else equal, amortizing swaps and caps will have lower rates and costs, respectively. Please call for specific structure pricing requests.

Agency Rate Caps (in bps)	LIBOR = 3%	LIBOR = 4%	LIBOR = 5%	LIBOR = 6%
3-yr LIBOR Cap	42	20	13	9
4-yr LIBOR Cap	107	57	33	21
5-yr LIBOR Cap	185	103	59	36
7-yr LIBOR Cap	375	224	152	83

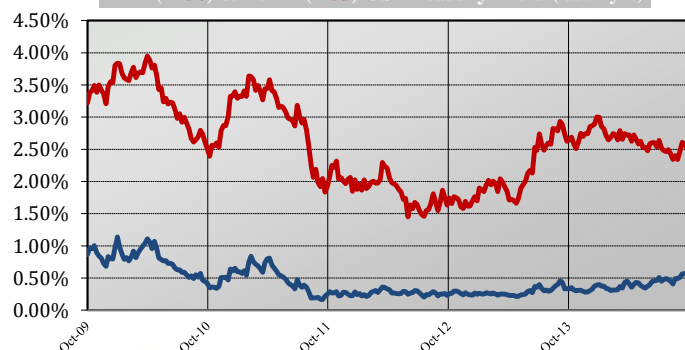
• The data outside of the payrolls report were basically benign, apart from a slip in ISM's manufacturing survey to slower growth at 56.6 from 59. Their services index remained hot at 58.6, in line with Markit's services PMI reading of 58.9 as well. Personal income and spending both rose in August, up 0.3% and 0.5% MoM, respectively, and the annualized PCE deflator inflation gauge ticked down a tenth to 1.5%. In ancillary jobs data, jobless claims fell again to 287k WoW, 10k better than consensus, while ADP reported 213k net private payrolls for September. The Challenger Job-Cut report showed about 30k announced layoffs, a 25% reduction from the August level. S&P Case-Shiller home prices slipped 0.5% MoM for their 20-city index, lowering YoY price gains to 6.75% as housing remains sluggish as investors step aside and new home buyers decide to rent or can't get financing. Construction spending unexpectedly declined in August by 0.8%, and factory orders fell 10% MoM with a comparison against the big Boeing orders from July. The trade deficit narrowed slightly to -\$40.1 billion thanks to the decline in prices in the petroleum complex of late. Chicago PMI fell to 60.5 from 62 in August, but the regional economy remains solid.

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.56%	0.58%	0.52%	0.31%
3-yr Treasury	1.03%	1.06%	0.96%	0.60%
5-yr Treasury	1.72%	1.80%	1.67%	1.36%
7-yr Treasury	2.15%	2.24%	2.10%	1.99%
10-yr Treasury	2.44%	2.53%	2.40%	2.61%
30-yr Treasury	3.12%	3.21%	3.14%	3.71%
2s-10s Spread	1.88%	1.95%	1.88%	2.29%

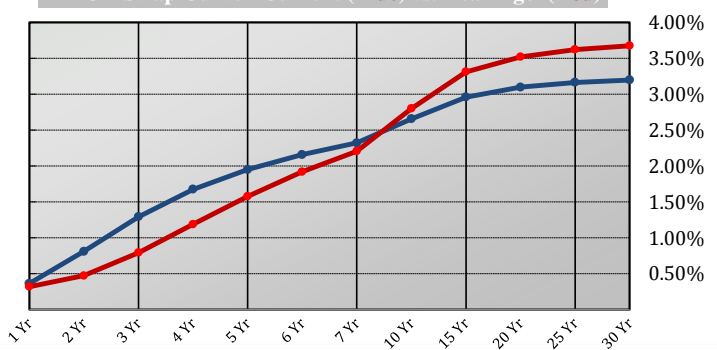
Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA Swap	Call	0.45%	0.41%	0.28%
3-yr SIFMA Swap	Call	0.80%	0.72%	0.50%
5-yr SIFMA Swap	Call	1.38%	1.29%	1.13%
7-yr SIFMA Swap	Call	1.76%	1.66%	1.71%
10-yr SIFMA Swap	Call	2.13%	2.02%	2.29%

Fwd Implied 3mL Rate	Last	Conventions
Dec. 14	0.24%	Source: Bloomberg. LIBOR swaps use 1-month LIBOR, monthly payments, act/360 for both legs. SIFMA swaps reset weekly and pay monthly, act/act. For % of LIBOR swaps, multiply the % used by the taxable swap rate. No amortization.
Dec. 15	1.08%	
Dec. 16	2.18%	
Dec. 17	2.84%	

2 Yr (Blue) & 10 Yr (Red) US Treasury Yield (last 5 yrs)



LIBOR Swap Curve - Current (Blue) vs. Year Ago (Red)



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